

# The Nexus of Transformational

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## MANAGEMENT

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<sup>1</sup>  
**THE NEXUS OF TRANSFORMATIONAL LEADERSHIP, COMPENSATION AND  
KNOWLEDGE MANAGEMENT TOWARDS EMPLOYEE PERFORMANCE:  
MEDIATION ROLE OF WORK MOTIVATION**

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**Abstract.** This research aimed to analyze the nexus of transformational leadership (TL), compensation (CM), and knowledge management (KM) on employee performance (EP) through work motivation (WM) on engineering consulting companies in Capital Region of Jakarta. This was a causality research which used survey approach. The analysis unit of this research was some engineering companies represented by the experts of construction planners. They had high qualification and they were the members of National Association of Indonesian Consultant (Inkindo) in Capital Region of Jakarta, Indonesia. The target sample of this research was consulting company organizations represented by permanent experts or skilled manpower who worked in construction planning services. The data collection of this research was primary and secondary by using structural equation modeling with partial least squares method. The total respondent of this research was 106 who were the employees from selected engineering consulting companies in Capital Region of Jakarta. TL had a significant effect towards EP through work motivation. CM had a significant effect towards EP through WM. Lastly KM had a significant effect towards EP through WM. The importance of this research was taken from its context which was conducted in Capital Region of Jakarta, Indonesia. Moreover, this was one of initial efforts to indicate EP by considering TL, CM, and KM and to observe the use of EP for engineering consulting companies in Indonesia. The findings of this research could serve several inputs for organizations in developing the practices between WM dimension and KM expansion among consulting engineering companies in Capital Regional of Jakarta, Indonesia.

**Keywords:** transformational leadership, compensation, knowledge management, employee performance, work motivation.

**JEL Classification:** D23, J30.

<sup>2</sup>  
**INTRODUCTION**

Human resources are essential assets in organizations and companies. The success of company management is absolutely affected by the quality of human resources in an organization or

a company (Hamid et al., 2017; Zhang, 2016). The ability of employees in encountering organizational needs can affect the achievement of an organization's goals. Employee performance is undeniably proportional for the organization's success in every activity (Siddiqui, 2014; Suharto, Suyanto, and Hendri, 2019). Performance is the result of work achieved by employees based on job requirements (Anyakoha, 2019; Stoilkovska and Serafimovic, 2017; Suthar, Chakravarthi, and Pradhan, 2014). Employees' performance are considered as a result of work that has been achieved by employee from their work behavior in performing work activities (Pradhan and Jena, 2017). Companies must enhance employees' performance in various ways that can be accomplished, such as improving leadership in a team or in an organization, providing appropriate compensation for employees' hard work, and managing knowledge among employees (Suryadharma et al., 2016; Zaini and Agustian, 2019). Furthermore, work motivation represents result of the company's efforts to enhance employees' performance (Beltrán-Martín and Bou-Llugar, 2018; Garg, 2017; Van Iddekinge et al., 2018). Motivation is considered as a driving factor to enhance employees performance due to their job satisfaction obtained from the moment when employees are satisfied with the leadership of organization, compensation, and knowledge management (Ganta, 2014; Shahzadi et al., 2014).

The leadership has been considered as the important ability to encourage and motivate employees for committing and achieving the goal (Tyssen, Wald, and Heidenreich, 2014). Leadership can determine employee's success. Hence, enhancing employee performance is inseparable from the role of the leaders (Cho et al., 2020; Kesari and Verma, 2018; Sandvik et al., 2019). Leadership is a personal ability of influencing employees to achieve company goals (Jyoti and Bhau, 2015; Zohar and Polachek, 2017) since fair leaders can transport mental support and respect which will enhance employees' performance. Thus, work motivation of employees will increase their performance as they feel comfortable with the presence of leaders who are expected to be fair and supportive. Work motivation encourages the employees to be productive and to have a better performance (Priyanto, 2016; Widodo, 2017).

Compensation is defined as paid-award in the form of money and goods for employees' hard work in providing services to the organization (Madhani, 2014; Pepper and Gore, 2015; Shin, 2016). In other words, compensation can also be interpreted as a bonus given by the organization. The bonus aims to increase employees' motivation at work (Andersen et al., 2012; Fatima, 2017; Morrell and Abston, 2018). Employees will feel valued when their best efforts for the organization are appropriately compensated. This will consequently have an effect on employees' motivation to continue their best performance. Expecting to accumulate more compensation based on their work. This can enhance employees' performance since there is a motivational boost from obtaining compensation (Priyanto, 2016; Widodo, 2017).

During an intense competition in the industry, the paradigm needs to be changed from resource-based competitiveness to knowledge-based competitiveness (Novianti, 2019). Knowledge-based competitiveness emphasizes knowledge and technology, as well as the development of the company's human resources (Lendzion, 2015; Perez and Pablos, 2003). To facilitate the development of human resources, the ability to manage and develop knowledge of the organization is required (Castro et al., 2020; Llorens and Battaglio, 2010; Meerwarth, Trotter and Briody, 2008). Knowledge management is defined as an organization's effort to identify, develop, and distribute knowledge for elevating an organization's competitive excellence by recognizing, learning, and reusing it (Nonaka, 1994; Nonaka, Toyama and Konno, 2000). This effort provides an opportunity for employees to develop their knowledge about the organization which is expected to grow work motivation and improve their performance in an organization continuously (Muthuveloo, Shanmugam, and Teoh, 2017; Samsiah, 2018).

Strong motivation in doing work can create organizational success and maximize the work. Work motivation itself has an essential role in terms of enthusiasm growth, passion, and pleasure to work optimally. Motivation is a factor encouraging the other people to perform tasks based on their

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roles in an organization. Motivation also supports the process of determining the intensity, direction, and perseverance of individuals in achieving goals (Bronkhorst, Steijn and Vermeeren, 2015; U. T. Jensen and Bro, 2018). The concept of motivation often emphasizes stimulation that arises from an individual (intrinsic motivation) (Auger and Woodman, 2016; Taberero and Hernández, 2011) and outside factors (extrinsic motivation) (King et al., 2013; Reiss, 2012). The employees who have strong work motivation will have much energy to perform activities. In other words, It enhances employees' performance (Hidayat and Heryanto, 2019; Kwapong, Opoku, and Donyina, 2015; Zainuri and Mundakir, 2018)

The problem occurring recently is an achieve performance in project execution which is accomplished by engineering companies. It is under optimal. The final work is still far beyond customer expectations due to delays of project completion. Company delays in work completion shall be subjected to sanctions and fines per Section 1.10 of Special Task Force for Upstream Oil and Gas Management on July 26th, 2017. Besides the technical aspects that affect these delays should be observed from project performance indicating an under optimal employee performance.

The companies practically give appreciation for employees in the form of bonuses in case the project is accomplished on time. The lack of senior employees engineering field, companies require to start the transformation by implementing knowledge management to enhance employees' performance and delivering knowledge to other employees. Management has to ensure that every employee has a secure attachment with the company. Each employee can develop their skill and strive to manage an individual knowledge into organizational knowledge. It will continuously enhance their ability to provide additional values for company and customer.

Research factors that affect employees' performance were aspects consideration of work motivation as mediating variables. The aspects of work motivation are assumed to intervene with the effects of leadership, compensation, and knowledge management on performance. The aspects of work motivation are intended to disclose the effects of leadership, compensation, and knowledge management on employees' performance.

## LITERATURE REVIEW

### The Effects of Transformational Leadership (TL) towards Employee Performance (EP)

Transformational leadership is an individual activity to drive the other people by leading, guiding, and influencing other people. So, they do something to achieve the expected results (Groves, 2014; Kwan, 2020). That is in accordance with the process of making other people to understand and agree with what needs to be done and how the task is performed effectively as well as a process of facilitating individual and collective efforts to achieve shared goals (Bronkhorst et al., 2015).

Transformational leadership has direct positive effects on employee performance. This hypothesis has been confirmed by previous research (Caillier, 2014; Chammas and Hernandez, 2019).

H1: TL has positive effects towards EP.

### Effects of Compensation (CM) towards Employee Performance (EP)

Compensation such as money, direct or indirect goods received by employees are the other form of company services which are returned (Madhani, 2014). The employee compensations are payment or reward given by company due to their performance (Khalid and Nawab, 2018; Yan and Sloan, 2016).



Compensation has direct positive effects towards employees' performance. This hypothesis has been confirmed by Do (2018), Khudhair, Rahman, and Adnan (2020), and Weldon (2012).

H2: CM has positive effects towards EP.

### **Effects of Knowledge Management (KM) towards Employee Performance (EP)**

There are various perspectives in understanding knowledge management provided by different researchers. Knowledge management is organization ways to identify and enhance the knowledge for improving excellence (Nonaka and Toyama, 2003; Nonaka et al., 2000). Knowledge management is inseparable from management function or process. Knowledge management is systematic steps to manage the knowledge in increasing value and supremacy of organization (Chawinga and Chipeta, 2017; Sharma and Mishra, 2007).

Knowledge management has direct positive effects towards employees' performance. This hypothesis has been confirmed by previous research (Andria and Trisyulianti, 2016; Muthuveloo et al., 2017; Praharsi, 2016; Sukarta and Lestari, 2019).

H3: KM has positive effects towards EP.

### **Effects of Work Motivation (WM) towards Employee Performance (EP)**

Motivation is a factor encouraging the other people to perform basic tasks from the roles of organization. Motivation also supports the process of determining the intensity, direction, and perseverance of individuals to achieve goals (Auger and Woodman, 2016; Ganta, 2014).

The concept of motivation from various sources emphasizing stimulation of (intrinsic motivation) and outside factors (extrinsic motivation) (Auger and Woodman, 2016; King et al., 2013; Reiss, 2012).

Motivation has direct positive effects towards employees' performance. This hypothesis has been confirmed by previous research (Juniari, Riana, and Subudi, 2015; Kwapong et al., 2015; Zainuri and Mundakir, 2018).

H4: WM has positive effects towards EP.

### **Effects of Transformational Leadership (TL), Compensation (CM), and Knowledge Management (KM) towards Work Motivation (WM)**

Strategies in increasing employee motivation are part of human resources development and the affecting factors can be analyzed. Previous researches in accordance with employees' work motivation have been conducted for years.

TL has positive effects towards work motivation. This hypothesis has been confirmed by Bronkhorst et al. (2015) and Jensen and Bro (2018). Compensation has a positive effect towards work motivation. This hypothesis has been confirmed by Priyanto (2016) and Widodo (2017). Knowledge management has a positive effect towards work motivation. This hypothesis has been confirmed by Ganjinia, Salimi, and Ghasabsaraei (2014) and Usman and Musa (2012).

H5: TL has positive effects towards WM.

H6: CM has positive effects towards WM.

H7: KM has positive effects towards WM.

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### Effects of Transformational Leadership (TL), Compensation (CM), and Knowledge Management (KM) towards Employee Performance (EP) through Work Motivation (WM)

Strategies in increasing employee performance are part of HR development when employee performance can be analyzed from those factors. Previous researches in accordance with the development of employees' performance have been conducted for years.

TL has a positive effect towards EP through WM. This hypothesis has been confirmed by previous research (Arman, Wardi, and Evanita, 2020; Priyanto, 2016; Widodo, 2017).

CM has a positive effect towards EM through WM. This hypothesis has been confirmed by previous research (Priyanto, 2016; Widodo, 2017).

The researches related to the effects of knowledge management on employee performance through work motivation have not existed yet in which the subject is interesting to discuss.

H8: TL is positively related to EP through WM.

H9: CM is positively related to EP through WM.

H10: KM is positively related to EP through WM.

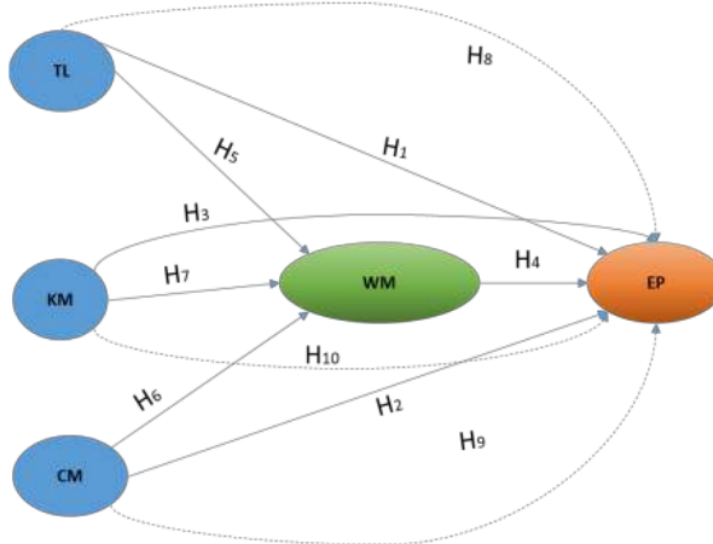


Figure 1. Research Framework

Source: Own compilation.

#### PAPER OBJECTIVE

This research aims to analyze transformational leadership, compensation, and knowledge management in affecting employees' performance through work motivation as mediating variables.

#### METHODOLOGY

##### Sample and Procedure

This was an associative research with the causal correlation and it aimed to indicate correlation between a variable and the other related variables.

This research used quantitative method that produced structured data. Hence, the researcher could perform the process of quantifying data by changing the original data into objective data (Boeren, 2018; Daniel, 2016).

In order to validate the hypothesized model which was shown on Figure 1, the research object was members of construction planners of consulting companies. They were known as National Association of Indonesian Consultant (Inkindo) with high qualification. This research was conducted on January to April, 2020 in Jakarta.

The analysis units of this research were engineering companies represented by the experts of consulting engineering of construction planners. The sample of this research was taken from consulting company organizations.

The types of data used in this were primary and secondary. Primary data of this research was obtained by from questionnaire distribution to 106 respondents out of 150 company representatives who participated in this research. Research measurement used Likert scale. Secondary data in this research was obtained from project performance reports, employee management, and data of employees' attendance. In this research, the method of processing and analyzing the data was SEM based on component or variance with partial least squares (PLS) using SmartPLS 3.2.8.

The sample used in this research could reach the minimum model of 100 samples Hair, Ringle and Sarstedt (2011) and Hair et al. (2014) for structural equation modeling (SEM) analysis.

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#### Data Collection Measurement

The data used in this research included data on TL, CM, KM, WM, and EP collected from questionnaires design which used Likert scale. In this scale, the submission statement included five alternative answers. These statements were TL, CM, KM, WM, and EP and they used Likert scale. The details were as follows SD (Strongly Disagree) = 1, D (Disagree) = 2, N (Neutral) = 3, A (Agree) = 4, and SA (Strongly Agree) = 5.

Seven items of TL scale based on Carless, Wearing, and Mann (2000). Ten items of CM scale based on Rahman and Singh (2019). Twenty-two items of KM scale based on Darroch (2003), Lee and Wong (2015), and Wang et al. (2008). Nine items of WM scale based on Weinstein and Ryan (2010). Five items of EP based on Williams and Anderson (1991).

## RESULT AND DISCUSSION

### Measurement Model

Evaluation of measurement model (outer model) was performed to determine the validity and reliability which related to the indicator of latent variable. There were three criteria of data analysis techniques which used SmartPLS 3.2.8 to evaluate outer model such as convergent validity, discriminant validity, composite reliability, and average variance extracted (AVE) (Cepeda-Carrion et al., 2019; Hair et al., 2019).

Convergent validity of measurement model with reflective indicators was evaluated by using correlation between item and component scores of PLS software. Personal measurement was in a high level, if the correlation was above 0.70 with constructive measurement (Hair et al., 2014).

In this research, a number of limiting factors of 0.70 were used. There was still an outer loading value under. Because it had low convergent validity value, the statement items under needed to delete. Four indicators on TL needed to delete; they were TL2, TL4, TL5, and TL15. In the CM construct, three indicators needed to delete; they were, CM2, CM9, and CM10. In the KM construct, 14 indicators needed to delete; they were, KM1, KM2, KM3, KM4, KM5, KM6, MP9, KM11, KM13, KM15, KM16, KM17, KM19, and KM22. In the WM construct, four indicators needed to delete; they were WM4, WM5, WM7, and WM10. In the EP construct, there were four indicators that needed to delete; they were EP5, EP6, EP8, and EP11. The results of data processing on loading values under which were deleted are shown in Figure 2.

1 Baskoro, B. D., Widjaja, B. T. and Sudarmadji (2020), "The nexus of transformational leadership, compensation and knowledge management towards employee performance: mediation role of work motivation", *Management and entrepreneurship: trends of development*, 1(15), pp. 41-64. Available at: <https://doi.org/10.26661/2522-1566/2021-1/15-03>

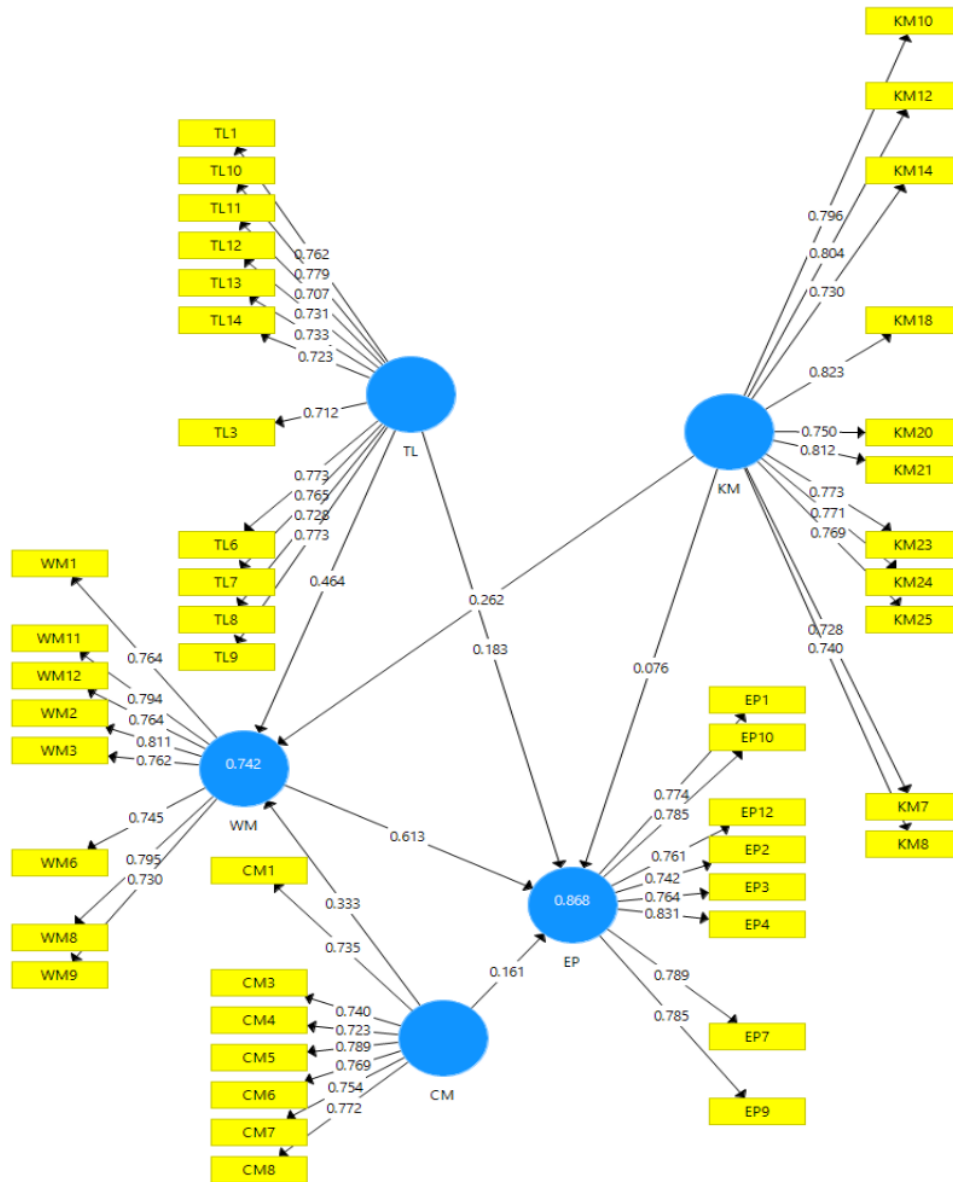


Figure 2. Results of the Structural Equation Modeling

Source: Own compilation.

### Discriminant Validity Analysis

3 After ensuring all indicators which were from the latent variables, there were constructs of the latent variables. The next step was to test the discriminant validity. Discriminant validity also needed to finish. Thus, the scale did not have to comprise two same constructs.

To indicate the correlation of constructs, it must be under 0.90. If the correlation between constructs was 0.90 or more and multicollinearity between constructs which occurred (Hair et al., 2014). The results of discriminant validity testing were shown in Table 1.



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 As shown in Table 1, there was no multicollinearity between variables because each construct measured the different subject. This was an evident from the correlation value among constructs that were less than 0.90.

Table 1.

*Discriminant Validity*

	TL	EP	CM	KM	WM
TL	0.802				
EP	0.745	0.814			
CM	0.724	0.755	0.772		
KM	0.298	0.481	0.287	0.773	
WM	0.771	0.779	0.744	0.496	0.783

Source: Own compilation.

**Reliability Evaluation and AVE**

3 The validity and reliability criteria could also be observed from the reliability value of a construct and the AVE value of each construct. It can be said that the 4 constructs have high reliability, if the reliability value was 0.70 and AVE value was above 0.50 (Hair et al., 2014). The CR indices of each scale were all higher than the level of 0.70 recommended by Fornell and Larcker (1981). Table 2 presents Cronbach's alpha, composite reliability (CR), and AVE values for all variables.

Table 2.

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**Internal Consistency and Reliability**

Constructs/Indicators	Factor loading	Cronbach's alpha	CR	AVE
1	2	3	4	5
TL1	0.762			
TL10	0.779			
TL11	0.707			
TL12	0.731			
TL13	0.733			
TL14	0.723	0.919	0.932	0.554
TL3	0.712			
TL6	0.773			
TL7	0.765			
TL8	0.728			
TL9	0.773			
CM1	0.735			
CM3	0.740			
CM4	0.723			
CM5	0.789	0.874	0.903	0.570
CM6	0.769			
CM7	0.754			
CM8	0.772			
KM10	0.796			
KM12	0.804			
KM14	0.73			
KM18	0.823			
KM20	0.750			
KM21	0.812	0.933	0.942	0.597
KM23	0.773			
KM24	0.771			
KM25	0.769			
KM7	0.728			
KM8	0.740			

Table continuation is on the next page

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Table continuation

1	2	3	4	5
WM1	0.764			
WM11	0.794			
WM12	0.764			
WM2	0.811	0.902	0.921	0.595
WM3	0.762			
WM6	0.745			
WM8	0.795			
WM9	0.730			
EP1	0.774			
EP10	0.785			
EP12	0.761			
EP2	0.742	0.907	0.925	0.607
EP3	0.764			
EP4	0.831			
EP7	0.789			
EP9	0.785			

Source: Own compilation.

As shown in Table 2, TL, CM, KM, W<sup>12</sup> and EP had composite reliability above 0.80 and a Cronbach's alpha value above 0.70. Hence, it can be concluded that the indicators used in every variable have good reliability or able to measure its construct (Hair et al., 2014). However, Cronbach's alpha value generated by PLS is slightly underestimated. Therefore, it is recommended to use the composite reliability value (Peterson and Kim, 2013). Likewise, with AVE value, TL, CM, KM, WM, and EP have an AVE value above 0.50. Therefore, it can be said that each variable has high discriminant validity.

### Structural Model

Inner model or structural model testing is conducted to observe the correlation between the constructs, significance value, and R<sup>2</sup> of the research model (Hair et al., 2019). The dependent construct of t-test of structural model was evaluated by using R<sup>2</sup> as well as the significance of structural path parameters coefficient. The assessment of a model with PLS started by looking at the R<sup>2</sup> for each latent dependent variable. Table 3 shows the results of R<sup>2</sup> estimation using SmartPLS.

Table 3

R-square results

Variable	R <sup>2</sup>	R <sup>2</sup> adjusted
EP	0.868	0.863
WM	0.742	0.734

Source: Own compilation.

Table 3 shows the R<sup>2</sup> value for EP obtained at 0.868 and for WM obtained at 0.742. These results indicated that 86.8% of EP could be affected by TL, CM, KM, and WM; the rest were influenced by other variables that were not included in the research. However, 74.2% of WM was influenced by TL, CM, and KM; the rest was influenced by other variables that are not found in the research.

Furthermore, the total value of R<sup>2</sup> (see Table 2) was used for predictive relevance (Q<sup>2</sup>). The predictive relevance (Q<sup>2</sup>) and the effect Q<sup>2</sup> or effect of exogenous constructs were measured by blindfolding approach on endogenous constructs (Henseler, Ringle, and Sinkovics, 2009). As shown in Table 2, the value of Q<sup>2</sup> in this research could be measured by the following calculation:

$$Q^2 = 1 - (1 - R1^2) (1 - R2^2)$$

$$Q^2 = 1 - (1 - 0.868) (1 - 0.742)$$

$$Q^2 = 1 - (0.132) (0.258)$$

$$Q^2 = 0.965944$$

The predictive value of relevance ( $Q^2$ ) for the structural model in this research was 0.9659 or 96.59%. It meant that the model was able to explain the phenomenon of performance associated with several variables, such as; TL, CM, KM, and WM. Therefore, it can be said that the model had an impressive predictive value. In conclusion, the model could be used for hypothesis testing.

### 12) hypothesis Testing

Based on the hypothesis testing path diagram in Figure 3, all indicators on each variable had a higher statistical value than 1.66 (T-statistic). To test the correlation between variables (hypothesis 12) (ting), the statistical value of the SmartPLS output was compared to the value of the table. Table 4 provides the results of the correlation between constructs (variables).

Table 4

#### Direct effect

Relationship	Beta	T-statistic	P-value	Comments
TL → EP	0.183	2.030	0.021	Support
TL → WM	0.464	5.063	0.000	Support
CM → EP	0.161	2.323	0.010	Support
CM → WM	0.333	4.048	0.000	Support
KM → EP	0.076	1.254	0.105	Not Support
KM → WM	0.262	3.967	0.000	Support
WM → EP	0.613	5.638	0.000	Support
TL → WM → EP	0.285	3.469	0.000	Support
CM → WM → EP	0.205	3.911	0.000	Support
KM → WM → EP	0.161	2.753	0.003	Support

Source: Own compilation.

In Figure 3, the analysis of path coefficients and level of significance shows that all direct paths were significant except the one between KM and EP. Besides, the result discovered that KM had no significant effect towards EP ( $\beta = 0.076, p = 0.105$ ). Table 3 showed that all paths were significant on indirect effect. We made bootstrap contest with 5.000 sub-samples to estimate the t-values and to assess the level of significance for specific indirect effect as shown in Table 5.

Table 5

#### Specific Indirect Effect

Relationship	Beta	T-statistic	P-value	Comments
TL → WM → EP	0.285	3.469	0.000	Support
CM → WM → EP	0.205	3.911	0.000	Support
KM → WM → EP	0.161	2.753	0.003	Support

Source: Own compilation.

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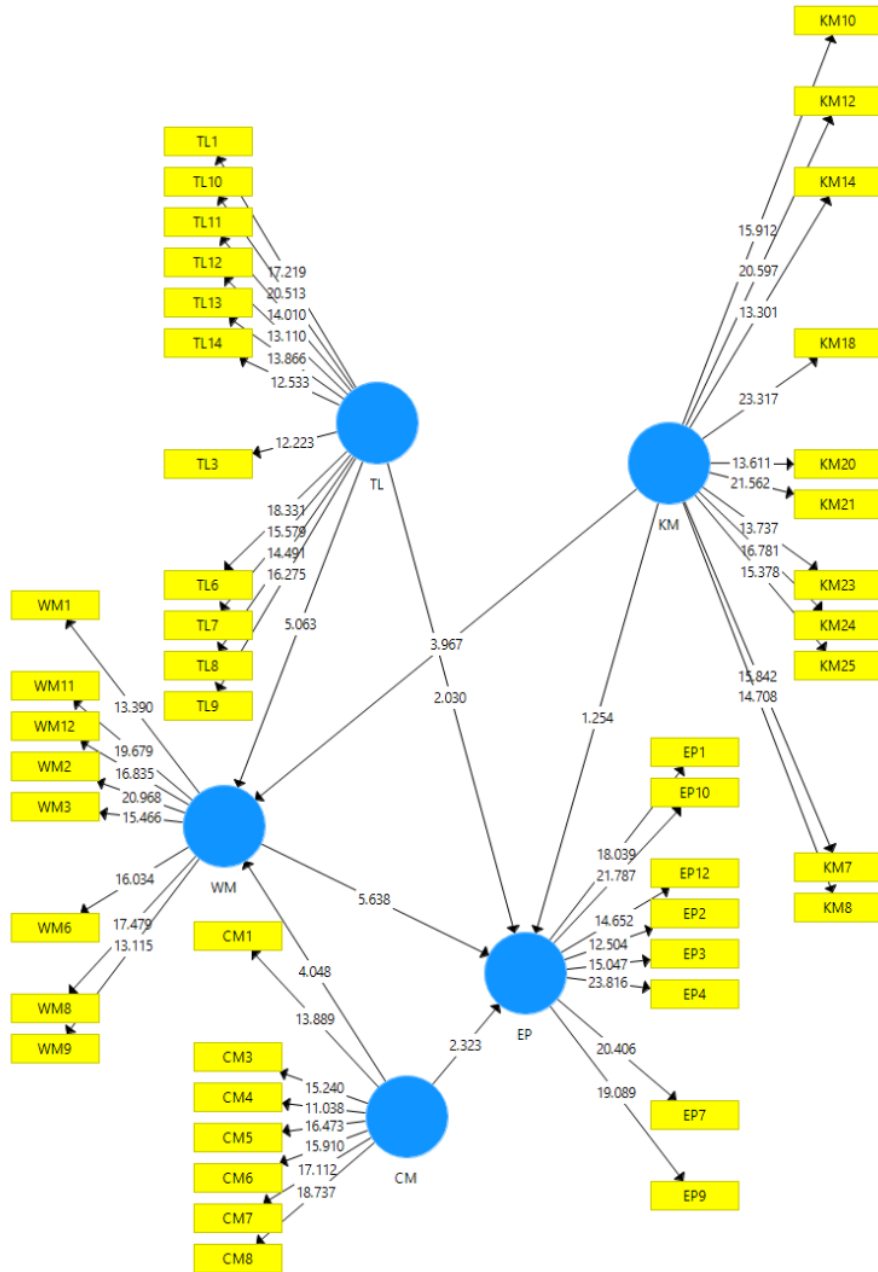


Figure 3. Hypothesis Testing Path

Source: Own compilation.

Based on the path parameter coefficients obtained in Table 4 and Table 5 and the explanation above, the formed research equation model can be explained in Figure 4.



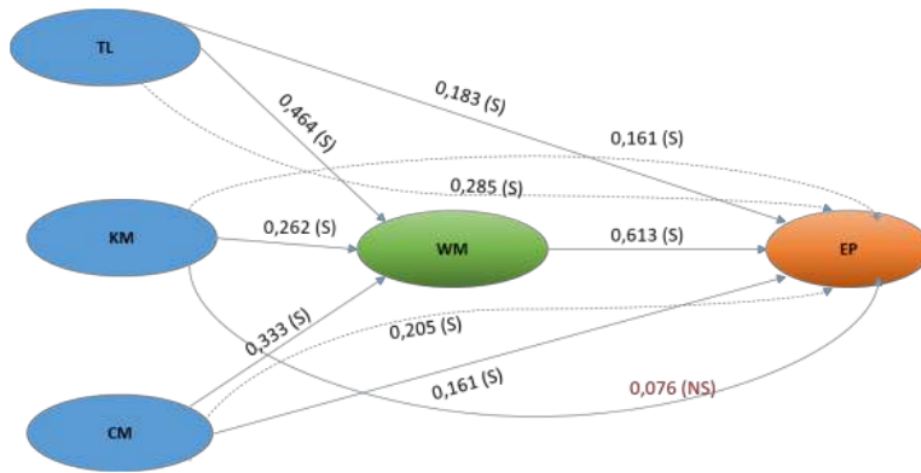


Figure 4. Research Model

Source: Own compilation.

In the research model, the effect of KM towards EP had a smaller coefficient than the subjects of TL and CM. It meant that TL and CM had higher effects towards EP than on KM.

### 3.3 Mediation Effect Test

Influence analysis was implemented to analyze the strength of influence between variables, both direct and indirect, and the total effects. The immediate effect was nothing but the coefficients of all coefficient lines with one ended an arrow. This research model illustrated that TL, CM, KM, and WM had a direct effect towards EP.

Indirect effects were the effects that arose through an intermediate variable. In this research model, WM provided an indirect effect towards EP. Table 5 shows the indirect effects in this research. As shown in Table 5, the results of the indirect effect of TL towards EP through WM with p-values of  $0.000 < 0.05$  were significant. The results of indirect effects of CM towards EP through WM with p-values of  $0.000 < 0.05$  were significant. The results of indirect effect of KM towards EP through WM with p-values of  $0.003 < 0.05$  were significant.

### Discussion

The results of hypothesis testing on effect direction of TL towards EP are significant. It is supported by the previous research (Jensen, Potočnik, and Chaudhry, 2020; Ng, 2017) which shows that TL has affected EP. The implication of this research is that TL can affect individual performance. Supervisors can affect employees to struggle more or to strive in achieving organizational goals. Supervisors who are -task and relationship- oriented persons, are consistent, responsible, and concern to the employees in their jobs. This situation shows that good leadership can enhance employees' performance.

The results of hypothesis testing on the effect direction of CM towards EP are significant. It is supported by previous researches (Sukarta and Lestari, 2019; Weldon, 2012) which stated that compensation affects employees' performance. This research implies that compensation can affect individual performance. Compensation for employees are usually given monthly in the form of financial and non-financial compensation (Malinda, Dewi, and Gamayuni, 2019). The situation

<sup>1</sup> Baskoro, B. D., Widjaja, B. T. and Sudarmadji (2020), "The nexus of transformational leadership, compensation and knowledge management towards employee performance: mediation role of work motivation", *Management and entrepreneurship: trends of development*, 1(15), pp. 41-64. Available at: <https://doi.org/10.26661/2522-1566/2021-1/15-03>

shows that the amount of payment provided can affect employees' performance. A sound compensation system will have double effects in the company, which are, the result of operational costs and the effect of work behavior (Do, 2018; Khudhair et al., 2020; Madhani, 2014; Weldon, 2012).

The results of hypothesis testing on the effect direction of KM towards EP are not significant. It is not consistent with the previous research (Andria and Trisyulianti, 2016; Muthuveloo et al., 2017; Praharsi, 2016; Sukarta and Lestari, 2019). Thus, this result is consistent with the research conducted by Afqarina and Dihan (2019), which stated that negative influence on employees' performance come from knowledge management. By conducting this research, the correlation between knowledge management and employees' performance hypothesis are clear. In this case, organization has to find more methods to increase employees' performance.

The results of hypothesis testing on the effect direction of WM towards EP are not significant. It is consistent with the previous research (Juniari et al., 2015; Kwapong et al., 2015; Zainuri and Mundakir, 2018), which stated that work motivation has a significant effect on employees' performance. Motivation is the supporting factor in performing an activity and has a significant effect on employees' performance. Employees' performance is a comparison between the input and output or the ratio of results obtained from resources (employees) since employees are the essential factors of production. To optimize the employees' work, supervisors, it needs to motivate their employees. Motivating employees can be conducted in several ways; for example, the existence of positive motivation such as providing gifts, bonuses, awards, and job promotions. By contrast, allocating negative motivation can be conducted by providing warnings or penalties for employees who commit mistakes. Employees' performance is also a factor that determines the whole company's performance.

The results of hypothesis testing on the effect direction of TL towards WM are significant. They are consistent with the researches by Priyanto (2016) and Widodo (2017), stated that leadership affects work motivation. The leadership factor plays an essential role since the leaders are the individuals to move and direct the organization in achieving goals. At the same time, this is not an easy task as they have to understand each employee's different behavior. Employees can be affected in the same way as they can be motivated to work effectively and efficiently. To enable employees for increasing the volume and quality of their work, it is the responsibility of the leaders of organization to motivate them.

The results of hypothesis testing on the effect direction of CM on WM are significant. They are consistent with the previous researches (Andersen et al., 2012; Forest, 2008; Morrell and Abston, 2018; Priyanto, 2016; Widodo, 2017). Compensation is the primary source of income for employees to support themselves and their families. An adequate compensation is the most powerful motivational instrument for companies to encourage employees to work properly (Andersen et al., 2012; Morrell and Abston, 2018). Inadequate compensation will make them less interested in working hard and allowed them to work uneasily. Organizations need to re-confirm whether the compensation which they have given to employees is appropriate. It is essential to be noted as it affects the motivation of work, in accordance with the results of this research.

The results of hypothesis testing on the effect direction of KM towards WM are significant. They are consistent with the previous researches (Ganjinia et al., 2014; Usman and Musa, 2012). The information technology application in managing knowledge at the company will ease the employees to learn independently. The knowledge management portal can be accessed by all employees from the private office. The company's leaders strive to facilitate employees' curiosity regarding learning from previous projects. During project execution, employees are required to fill in digital forms in the portal as a knowledge from other disciplines, in accordance with Bandera et al. (2017), Nonaka (2009), and Nonaka et al. (2000), where knowledge acquisition and knowledge creation can be performed by individuals working in organizations. It relates to the company's

commitment in building intellectual capital and creating an environment for collaborative knowledge sharing as well.

The results of hypothesis testing on the effect direction TL towards EP through WM are significant. They are consistent with the researches by Priyanto (2016) and Widodo (2017), which stated that motivation mediates the effects of leadership on employees' performance. The results of hypothesis testing find the evidence that work motivation significantly mediates the effects of leadership on employees' performance. Based on the results of hypothesis testing, the coefficient value of leadership indirect effect on employees' performance was higher than the coefficient value of leadership direct control on employees' performance. The direct effect of leadership on performance is 0.183, whereas the indirect effect through motivation is 0.285. It is illustrated that in TL and EP, achievement that is prioritized more than mediated by WM. Hypothesis testing results also indicates that leadership has an indirect effect on employees' performance through work motivation. Work motivation becomes a mediating variable between leadership and achievement. It is explained that the right direction is able to affect employees in performing their duties voluntarily and to accept their effects by their expectations. Moreover, a high motivation will make employees more focused and attentive to struggle in achieving consistent work results and satisfied the company's expectations (Groening and Binnewies, 2019; Kiuru et al., 2020), to develop the better employees' performance (Eide, Saether, and Aspelund, 2020). Another good effect is that project completion performance shall be accomplished on time.

The results of hypothesis testing on the effect direction of CM towards EP through WM are significant. They are consistent with the previous researches (Priyanto, 2016; Widodo, 2017). The results of hypothesis testing find evidence that work motivation significantly mediates the effect of compensation on employees' performance. Based on the results of hypothesis testing, the coefficient value of compensation indirect effect on employees' performance is higher than the compensation direct effect on employees' performance. The direct effect of compensation on performance is 0.161, whereas the indirect effect through motivation is 0.205. It is illustrated that in compensation and employees' performance, achievement that is prioritized more than mediated by work motivation. Hypothesis testing results illustrated that compensation is a subject that must be considered by the company as an effort to increase work motivation. Employees who are motivated by the amount of salary and benefits will work earnestly and energetically (Andersen et al., 2012; Fatima, 2017; Weldon, 2012), eager to do the tasks given by the company. The provision of salaries and benefits that are considered as appropriate will affect the company's performance. However, it is the fact that employees have to comprehend the conditions of compensation level conducted by the company. It has been two years that the company has not evaluated the compensation internally. This condition makes the employees aware of company's ability to provide compensation in the form of wage or salary.

The results of hypothesis testing on the effect direction of KM towards EP through WM are significant. The results of hypothesis testing find evidence that work motivation significantly mediates the effect of knowledge management on employees' performance. Based on the results of hypothesis testing, the coefficient value of knowledge management indirect effect on employees' performance is higher than the knowledge management direct effect on employee performance. The compensation direct effect on performance is 0.076, whereas the indirect effect through motivation is 0.161. It is illustrated that in knowledge management and employee performance, achievement that is prioritized more than mediated by work motivation.

Organizations and companies that focus on knowledge management enable the employees to be more productive and encouraged to grow and share their knowledge (knowledge sharing) (Bureš and Stropková, 2014; Shujahat et al., 2019; Torabi and El-Den, 2017). Knowledge sharing is the process of disseminating and exchanging information, ideas, experiences, and knowledge through communication and social interaction performed by individuals and other individuals, individuals and groups, and between the inside groups and outside companies to acquire new knowledge



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(Bandera et al., 2017; Farnese et al., 2019; Nonaka et al., 2014). Increasing knowledge can produce innovations which will improve the employees' performance (Audretsch and Belitski, 2020; Ballestar et al., 2020).

The application of knowledge management is not optimized at this moment, but in some pilot projects, it has been implemented quite well. The desire of employees in archiving all findings and suggestions in the knowledge management portal makes the customers familiar with the company. It is proven from the function of knowledge management portal to help the employees identifying similar problems that may occur in the next project. Moreover, it can increase the speed and performance of project completion.

## CONCLUSION

This research analyzes the effects of direct and indirect TL, CM, and KM through WM towards EP. Statistics shows that leadership and compensation affect employees' performance directly and indirectly through work motivation. Thus, knowledge management only has an indirect effect on employees' performance.

It can be said that work motivation has its own role in encouraging the company's efforts. It is specifically to encourage employees' performance by enhancing leadership, compensation, and knowledge management, in terms of quality resources improvement. Leadership with clear and correct directions and goals can easily affect employees to perform their duties voluntarily and accepted the leaders' effects with their expectations. These can increase the employees' motivation. Furthermore, compensation motivates employees to perform the tasks assigned by the leaders appropriately. Knowledge management can develop the desire of knowledge sharing. Also, it can encourage employees' work motivation.

In conclusion, these variables encourages employees' work motivation in increasing employees' capacity, productivity, and performance.

The efforts which improve performance are mainly determined by leadership. Therefore, management at engineering consulting companies should further enhance the leadership role. It can be achieved by explaining the company's objectives and trusting the ability of their employees.

Knowledge needs to be managed properly, including employees, information technology, and collaboration. Work motivation should be enhanced by providing different methods in order to make the employees' better performance.

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#### **DECLARATION OF CONFLICTING INTEREST**

The Authors declare that there is no conflict of interest.

#### **DATA ACCESSIBILITY STATEMENT**

The author confirms that the data supporting the findings of this study are available within the article.

### **ЗВ'ЯЗОК ТРАНСФОРМАЦІЙНОГО ЛІДЕРСТВА, КОМПЕНСАЦІЇ ТА УПРАВЛІННЯ ЗНАННЯМИ ЩОДО ЕФЕКТИВНОСТІ РОБОТИ СПІВРОБІТНИКІВ: ПОСЕРЕДНИЦЬКА РОЛЬ МОТИВАЦІЇ ПРАЦІ**

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Дане дослідження мало на меті проаналізувати взаємозв'язок трансформаційного лідерства (TL), компенсації (CM) та управління знаннями (KM) щодо ефективності роботи співробітників (EP) через мотивацію роботи (WM) в інженерних консалтингових компаніях в столичному регіоні Джакарти. Дане дослідження причинно-наслідкових зв'язків використовувало підхід опитування. Об'єктом аналізу цього дослідження були деякі інженерні компанії, представлені експертами проектувальників будівництва. Вони мали високу кваліфікацію і були членами Національної асоціації індонезійських консультантів (Інкіндо) в столичному регіоні Джакарти, Індонезія. Цільовою вибіркою цього дослідження були організації консалтингових компаній, представлені постійними експертами або кваліфікованою робочою силою, які працювали в службах планування будівництва. Збір даних цього дослідження був первинним та вторинним за допомогою моделювання структурних рівнянь методом часткових найменших квадратів. Кількість загальних респондентів дослідження – 106 осіб, які були працівниками обраних інжинірингових консалтингових компаній столичного регіону Джакарти. TL мав значний вплив на EP через мотивацію праці. CM мав значний вплив на EP через WM. Нарешті, KM мав значний вплив на EP через WM. Важливість цього дослідження виходить з контексту його проведення в столичному регіоні Джакарти, Індонезія. Більше того, це була одна з перших спроб вказати EP, враховуючи TL, CM та KM та спостерігати за використанням EP для інжинірингових консалтингових компаній в Індонезії. Результати цього дослідження можуть послужити декільком вкладом для організацій у розробці практик між виміром WM та розширенням KM серед консалтингових інжинірингових компаній у столичному регіоні Джакарти, Індонезія.

**Ключові слова:** трансформаційне лідерство, компенсація, управління знаннями, продуктивність працівника, мотивація праці.



**СВЯЗЬ ТРАНСФОРМАЦИОННОГО ЛИДЕРСТВА, ВОЗНАГРАЖДЕНИЯ  
И УПРАВЛЕНИЯ ЗНАНИЯМИ С ЭФФЕКТИВНОСТЬЮ СОТРУДНИКОВ:  
ПОСРЕДНИЧЕСКАЯ РОЛЬ ТРУДОВОЙ МОТИВАЦИИ**

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Данное исследование было направлено на анализ взаимосвязи трансформационного лидерства (TL), вознаграждения (СМ) и управления знаниями (КМ) с производительностью сотрудников (ЕР) через трудовую мотивацию (WM) в инженерно-консалтинговых компаниях в столичном регионе Джакарта. Это исследование причинно-следственной связи использовало метод опроса. Единицей анализа данного исследования выступили несколько инжиниринговых компаний в лице специалистов проектировщиков строительства. У них была высокая квалификация, и они были членами Национальной ассоциации индонезийских консультантов (Инкиндю) в столичном регионе Джакарта, Индонезия. Целевой выборкой данного исследования были организации консалтинговых компаний, представленные постоянными экспертами или квалифицированными кадрами, работающими в службах планирования строительства. Сбор данных этого исследования был первичным и вторичным с использованием моделирования структурных уравнений с методом частных наименьших квадратов. Всего респондентами этого исследования стали 106 сотрудников выбранных инженерных консалтинговых компаний в столичном регионе Джакарта. TL оказал значительное влияние на ЕР через мотивацию работы. СМ оказал значительное влияние на ЕР через WM. Наконец, КМ оказал значительное влияние на ЕР через WM. Важность этого исследования вытекает из контекста его проведения в столичном регионе Джакарта, Индонезия. Более того, это была одна из первых попыток обозначить ЕР с учетом TL, СМ и КМ и наблюдать за использованием ЕР для инженерных консалтинговых компаний в Индонезии. Результаты этого исследования могут послужить некоторым вкладом для организаций в разработку практик между измерением WM и расширением управления знаниями среди консалтинговых инженерных компаний в столичном регионе Джакарта, Индонезия.

**Ключевые слова:** трансформационное лидерство, компенсация, управление знаниями, эффективность сотрудников, трудовая мотивация.

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